



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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December 10, 1992

Mr. Frederick D. Fox
Director, Environmental Affairs
Kennecott Utah Copper
P.O. Box 525
Bingham Canyon, Utah 84006-0525

Dear Mr. Fox:

Re: Replacement Reclamation Surety, Bingham Canyon Mine - UCD
Modernization Project, M/035/011, Salt Lake County, Utah

The Division has evaluated your recent \$8,263,900 reclamation surety and reclamation contract agreement (FORM MR-RC), provided by Kennecott to replace the existing (1987) \$8,263,900 surety for the UCD Modernization Project. The latest surety documents are incomplete and we will require some supplemental information before we can present them to the Board of Oil, Gas and Mining seeking their approval. The following information is required:

1. An increase in the surety amount to escalate the dollar amount from 1991 to 1998 dollars. The escalated surety amount is \$8,980,000 (revised estimate attached - 1998 \$). This change can be addressed through a surety rider or another replacement surety bond.
2. A more detailed legal description of the disturbed/bonded acreage which is broken down to the quarter-quarter section (Attachment A & Attachment 1).
3. A disturbed area map (w/disturbed area boundaries and section corners) to accompany and clarify the attached legal description.
4. Kennecott's concurrence and acceptance of the changes we have made to the Reclamation Contract (FORM MR-RC). A few sections were incomplete and other sections require revision as a result of the increase in surety. We have attached copies of the revised pages with the required changes.

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Mr. Frederick D. Fox

M/035/011

December 10, 1992

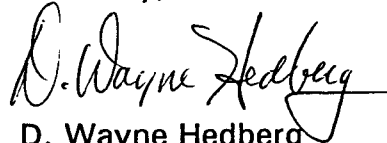
In addition to the requirements outlined above, we have the following requests and suggestions:

If possible, the Division would ultimately prefer to hold only one reclamation surety for the entire UCD Modernization Project. Currently we hold two; one for the UCD Modernization - Phase II, and an additional \$5,300,000 surety for the 4th Line Expansion. We believe there may be significant overlap between these two sureties and a consolidation may result in an overall reduction in the required dollar amount. We recognize that Kennecott would need to perform an indepth evaluation of both permit applications and both surety estimates to best determine how to consolidate the separate reclamation surety estimates.

The Division also requests a meeting with Kennecott staff in the near future to discuss how to separate/break out the UCD Modernization Project from the larger Bingham Canyon mine permit. We suggest that a preliminary meeting be scheduled sometime in January or early February 1993 to discuss the logistics of this endeavor.

We anticipate taking Kennecott's revised replacement reclamation surety and reclamation contract to the Board during the January 27, 1993 hearing. In order to meet this schedule, we will need to receive all of the required information no later than January 8, 1993. Thank you for your patience and cooperation in finalizing this permitting action. Please contact me, or Holland Shepherd if you have questions or concerns in this regard.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Enclosures

cc: Bob Kennedy, Kennecott
Steve Kern, Safeco
Lowell Braxton, DOGM

M035011.sur

SURETY ESTIMATE UPDATE

Kennecott Utah Copper

UCD Modernization Project

M/035/002 Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

12/01/92

DESCRIPTION:

- Surety estimate for Phase I & II was \$5,982,948 in 1986-\$
- Surety estimate for Flotation/Molybdenum facilities was \$1,643,000 in 1986-\$
- Combining these surety amounts gives a total of \$7,625,948 in 1986-\$
- ASSUMED the replacement surety would be posted & approved in 1993
- Escalate the 1986-\$ total to 1993-\$ using the escalation factors shown
- Project this figure five years forward into 1998-\$
- Escalation factors through 1991 are actual Means Historical Cost Indices
- Total disturbed area = 588 ACRES

CALCULATIONS

	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1985	0.0290	\$0
	1986	0.0210	\$7,625,948
F = Future Sum	1987	0.0195	\$7,774,654
P = Present Sum	1988	0.0181	\$7,915,375
i = Escalation Factor	1989	0.0177	\$8,055,477
n = number of periods	1990	0.0077	\$8,117,505
	1991	0.0127	\$8,220,597
	1992	0.0127	\$8,324,998
Three Yr Average = 1.27%	1993	0.0127	\$8,430,726
Used to Project 5 Yrs	1994	0.0127	\$8,537,796
Into the Future	1995	0.0127	\$8,646,226
From the Year 1992	1996	0.0127	\$8,756,033
	1997	0.0127	\$8,867,235
	1998	0.0127	\$8,979,849

Updated Surety Amount Rounded (1998 \$) \$8,980,000

** Average cost per acre = 15,272 (\$/ACRE)